

September 24, 2009

Dear School District Administrator:

Purpose of Indirect Cost Rates

The U.S. Office of Management and Budget Circular A-87 requires local government agencies to establish an approved indirect cost allocation plan and rate to recover indirect costs related to federal grants and contracts. Each state department of education must have a local education agency (LEA) indirect cost rate plan approved by its federal cognizant agency to assure that LEAs have the capability to claim indirect costs in federally assisted programs if the district so elects to do so. The LEA indirect cost plan has been already prepared on behalf of school districts and CESAs and is available for printing on our DPI internet website at: dpi.wi.gov/sfs/indirect.html.

Indirect Cost Rate Computation

The unadjusted indirect cost rate computation has been prepared from data taken from the 2007-08 annual report submitted to our department. The calculated rates for all school districts are available for printing on our DPI internet website at: dpi.wi.gov/sfs/indirect.html. The rate computation using the fixed rate with carry-forward method is enclosed for those districts who have submitted adjustments in the past. Data from 2006-07 and prior years annual reports are used to compute this rate. The indirect cost proposal indicates which expenditure accounts are considered direct costs, restricted indirect costs and unrestricted indirect costs for the purpose of calculating indirect cost rates.

Form PI 1161

Note that the indirect cost rates shown on the indirect cost rate computation are preliminary only. The preliminary rates may be adjusted by filing form PI-1161 which is available on our DPI internet website at: dpi.wi.gov/sfs/indirect.html. Under the department's policy on indirect cost, each LEA has the **option** to choose either indirect cost reimbursement or direct cost reimbursement on federally assisted grant programs. **If the indirect cost reimbursement option is chosen, form PI-1161 must be completed and returned.** Form PI-1161 has an optional indirect cost adjustment section to adjust certain 2007-08 costs, if appropriate. It also has a required "certification by agency official" section to establish indirect cost rates. If there are no adjustments that need to be made to the enclosed rate computation and you wish to claim indirect costs, sign and date Form PI 1161 and return it to our department by **October 31, 2009**. **You only need to return the form PI 1161 if you plan to claim indirect costs against your federally assisted grant programs.**

Webcast

A mediasite webcast is available to assist districts with a basic understanding of indirect costs. The webcast is located under "Resources" on the Indirect Cost website located on the left-hand scan bar of the finance team's home webpage or directly at <http://www.dpi.state.wi.us/sfs/indirect.html>

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Please contact Gene Fornecker at 608/267-7882 or eugene.fornecker@dpi.wi.gov with any questions.

Sincerely,

David Carlson, Director
School Financial Services Team

DC/glf